

RETIREMENT ELIGIBILITY

MODIFICATIONS

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel R. Liljenquist

House Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah State Retirement and Insurance Benefit Act by amending the years of service credit needed for retirement eligibility and allowance reductions for certain members.

Highlighted Provisions:

This bill:

- ▶ provides, through a graduated scale, a zero to five year increase in the number of years of service credit a member must accrue to retire at any age based on years of service credit accrued on July 1, 2011 from the current:
 - 30 years to 35 years in the Public Employees' Contributory and Noncontributory Retirement Systems; and
 - 20 years to 25 years in the Public Safety Contributory and Noncontributory and the Firefighters Retirement Systems;
- ▶ provides that, in the Public Employees' Contributory and Noncontributory Retirement Systems, if a retiree is less than 65 years of age and has not accrued the years of service credit needed to retire at any age, the allowance is reduced by the full actuarial amount instead of 3% for each year of retirement from age 60 to age 65; and
- ▶ makes technical changes.



28 **Monies Appropriated in this Bill:**

29 None

30 **Other Special Clauses:**

31 This bill takes effect on July 1, 2011.

32 **Utah Code Sections Affected:**

33 AMENDS:

34 **49-12-401**, as renumbered and amended by Laws of Utah 2002, Chapter 250

35 **49-12-402**, as last amended by Laws of Utah 2007, Chapters 130 and 306

36 **49-13-401**, as renumbered and amended by Laws of Utah 2002, Chapter 250

37 **49-13-402**, as last amended by Laws of Utah 2007, Chapter 130

38 **49-14-401**, as last amended by Laws of Utah 2003, Chapter 240

39 **49-15-401**, as renumbered and amended by Laws of Utah 2002, Chapter 250

40 **49-16-401**, as last amended by Laws of Utah 2003, Chapter 240



42 *Be it enacted by the Legislature of the state of Utah:*

43 Section 1. Section **49-12-401** is amended to read:

44 **49-12-401. Eligibility for an allowance -- Date of retirement -- Qualifications.**

45 (1) A member is qualified to receive an allowance from this system when:

46 (a) the member ceases actual work for a participating employer in this system before
47 the member's retirement date and provides evidence of the termination;

48 (b) the member has submitted to the office a notarized retirement application form that
49 states the member's proposed retirement date; and

50 (c) one of the following conditions is met as of the member's retirement date:

51 (i) the member has accrued at least four years of service credit and has attained an age
52 of 65 years;

53 (ii) the member has accrued at least 10 years of service credit and has attained an age
54 of 62 years;

55 (iii) the member has accrued at least 20 years of service credit and has attained an age
56 of 60 years; or

57 (iv) the member has accrued [~~at least 30~~] the years of service credit required under
58 Subsection (2).

59 (2) In accordance with the provisions of Subsection (1), a member is qualified to
60 receive an allowance from this system, if the member has accrued the following years of
61 service credit as of the member's retirement date:

62 (a) 30 years of service credit if the member has accrued at least 24 years of service
63 credit on July 1, 2011;

64 (b) 31 years of service credit if the member has accrued at least 20 years of service
65 credit on July 1, 2011;

66 (c) 32 years of service credit if the member has accrued at least 15 years of service
67 credit on July 1, 2011;

68 (d) 33 years of service credit if the member has accrued at least 10 years of service
69 credit on July 1, 2011;

70 (e) 34 years of service credit if the member has accrued at least four years of service
71 credit on July 1, 2011; and

72 (f) 35 years of service credit if the member has accrued less than four years of service
73 credit on July 1, 2011.

74 (3) Notwithstanding the provisions of Subsection (2), the service credit accrued by a
75 member before July 1, 2011 may be adjusted in accordance with the provisions of this title,
76 based on:

77 (a) new information presented to the office; and

78 (b) the office's review and adjustments of a member's eligible service credit including
79 full- and part-time work, withdrawals, redeposits, and transfers.

80 ~~[(2)]~~ (4) (a) The member's retirement date shall be the 1st or the 16th day of the month,
81 as selected by the member, but the retirement date must be on or after the date of termination.

82 (b) The retirement date may not be more than 90 days before or after the date the
83 application is received by the office.

84 Section 2. Section **49-12-402** is amended to read:

85 **49-12-402. Service retirement plans -- Calculation of retirement allowance --**
86 **Social Security limitations.**

87 (1) (a) Except as provided under Section 49-12-701, retirees of this system may choose
88 from the six retirement options described in this section.

89 (b) Options Two, Three, Four, Five, and Six are modifications of the Option One

90 calculation.

91 (2) The Option One benefit is an annual allowance calculated as follows:

92 (a) If the retiree is at least 65 years of age or has accrued [~~at least 30~~] the years of
93 service credit required under Subsection 49-12-401(2), the allowance is:

94 (i) an amount equal to 1.25% of the retiree's final average monthly salary multiplied by
95 the number of years of service credit accrued prior to July 1, 1975; plus

96 (ii) an amount equal to 2% of the retiree's final average monthly salary multiplied by
97 the number of years of service credit accrued on and after July 1, 1975.

98 (b) If the retiree is less than 65 years of age, the allowance shall be reduced [~~3%~~] by the
99 full actuarial amount for each year of retirement from age 60 to age 65, unless the member has
100 [~~30 or more years of accrued credit~~] accrued the years of service credit required under
101 Subsection 49-12-401(2), in which event no reduction is made to the allowance.

102 (c) (i) Years of service includes any fractions of years of service to which the retiree
103 may be entitled.

104 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
105 service credit is within 1/10 of one year of the total years of service credit required for
106 retirement, the retiree shall be considered to have the total years of service credit required for
107 retirement.

108 (d) An Option One allowance is only payable to the member during the member's
109 lifetime.

110 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
111 by reducing an Option One benefit based on actuarial computations to provide the following:

112 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
113 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
114 member contributions, the remaining balance of the retiree's member contributions shall be
115 paid in accordance with Sections 49-11-609 and 49-11-610.

116 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the
117 retiree, and, upon the death of the retiree, the same reduced allowance paid to and throughout
118 the lifetime of the retiree's lawful spouse at the time of retirement.

119 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the
120 retiree, and upon the death of the retiree, an amount equal to 1/2 of the retiree's allowance paid

121 to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

122 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
123 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
124 time of initial retirement under Option One shall be paid to the retiree for the remainder of the
125 retiree's life, beginning on the last day of the month following the month in which the lawful
126 spouse dies.

127 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time
128 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time
129 of initial retirement under Option One shall be paid to the retiree for the remainder of the
130 retiree's life, beginning on the last day of the month following the month in which the lawful
131 spouse dies.

132 (4) (a) (i) The final average salary is limited in the computation of that part of an
133 allowance based on service rendered prior to July 1, 1967, during a period when the retiree
134 received employer contributions on a portion of compensation from an educational institution
135 toward the payment of the premium required on a retirement annuity contract with the
136 Teachers' Insurance and Annuity Association of America or with any other public or private
137 system, organization, or company to \$4,800.

138 (ii) This limitation is not applicable to retirees who elected to continue in this system
139 by July 1, 1967.

140 (b) Periods of employment which are exempt from this system under Subsection
141 49-12-203(1)(b), may be purchased by the member for the purpose of retirement only if all
142 benefits from the Teachers' Insurance and Annuity Association of America or any other public
143 or private system or organization based on this period of employment are forfeited.

144 (5) (a) If a retiree under Option One dies within 90 days after the retiree's retirement
145 date, the retirement is canceled and the death shall be considered as that of a member before
146 retirement.

147 (b) Any payments made to the retiree shall be deducted from the amounts due to the
148 beneficiary.

149 (6) If a retiree retires under either Option Five or Six and subsequently divorces, the
150 retiree may elect to convert the benefit to a Option One benefit at the time of divorce, if there is
151 no court order filed in the matter.

152 Section 3. Section **49-13-401** is amended to read:

153 **49-13-401. Eligibility for an allowance -- Date of retirement -- Qualifications.**

154 (1) A member is qualified to receive an allowance from this system when:

155 (a) the member ceases actual work for a participating employer in this system before
156 the member's retirement date and provides evidence of the termination;

157 (b) the member has submitted to the office a notarized retirement application form that
158 states the member's proposed retirement date; and

159 (c) one of the following conditions is met as of the member's retirement date:

160 (i) the member has accrued at least four years of service credit and has attained an age
161 of 65 years;

162 (ii) the member has accrued at least 10 years of service credit and has attained an age
163 of 62 years;

164 (iii) the member has accrued at least 20 years of service credit and has attained an age
165 of 60 years;

166 (iv) the member has accrued [~~at least 30~~] the years of service credit required under
167 Subsection (2); or

168 (v) the member has accrued at least 25 years of service credit, in which case the
169 member shall be subject to the reduction under Subsection 49-13-402(2)(b).

170 (2) In accordance with the provisions of Subsection (1), a member is qualified to
171 receive an allowance from this system, if the member has accrued the following years of
172 service credit as of the member's retirement date:

173 (a) 30 years of service credit if the member has accrued at least 24 years of service
174 credit on July 1, 2011;

175 (b) 31 years of service credit if the member has accrued at least 20 years of service
176 credit on July 1, 2011;

177 (c) 32 years of service credit if the member has accrued at least 15 years of service
178 credit on July 1, 2011;

179 (d) 33 years of service credit if the member has accrued at least 10 years of service
180 credit on July 1, 2011;

181 (e) 34 years of service credit if the member has accrued at least four years of service
182 credit on July 1, 2011; and

183 (f) 35 years of service credit if the member has accrued less than four years of service
184 credit on July 1, 2011.

185 (3) Notwithstanding the provisions of Subsection (2), the service credit accrued by a
186 member before July 1, 2011 may be adjusted in accordance with the provisions of this title,
187 based on:

188 (a) new information presented to the office; and

189 (b) the office's review and adjustments of a member's eligible service credit including
190 full- and part-time work, withdrawals, redeposits, and transfers.

191 ~~[(2)]~~ (4) (a) The member's retirement date shall be the 1st or the 16th day of the month,
192 as selected by the member, but the retirement date must be on or after the date of termination.

193 (b) The retirement date may not be more than 90 days before or after the date the
194 application is received by the office.

195 Section 4. Section **49-13-402** is amended to read:

196 **49-13-402. Service retirement plans -- Calculation of retirement allowance --**

197 **Social Security limitations.**

198 (1) (a) Except as provided under Section 49-13-701, retirees of this system may choose
199 from the six retirement options described in this section.

200 (b) Options Two, Three, Four, Five, and Six are modifications of the Option One
201 calculation.

202 (2) The Option One benefit is an allowance calculated as follows:

203 (a) If the retiree is at least 65 years of age or has accrued ~~[at least 30 years of service~~
204 ~~credit]~~ the years of service credit required under Subsection 49-13-401(2), the allowance is an
205 amount equal to 2% of the retiree's final average monthly salary multiplied by the number of
206 years of service credit accrued.

207 (b) If the retiree is less than 65 years of age, the allowance shall be reduced ~~[3% for~~
208 ~~each year of retirement from age 60 to age 65, plus]~~ by a full actuarial reduction for each year
209 of retirement prior to age ~~[60]~~ 65, unless the member has ~~[30 or more years of accrued credit]~~
210 accrued the years of service credit required under Subsection 49-13-401(2), in which event no
211 reduction is made to the allowance.

212 (c) (i) Years of service include any fractions of years of service to which the retiree
213 may be entitled.

214 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
215 service credit is within 1/10 of one year of the total years of service credit required for
216 retirement, the retiree shall be considered to have the total years of service credit required for
217 retirement.

218 (d) An Option One allowance is only payable to the member during the member's
219 lifetime.

220 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
221 by reducing an Option One benefit based on actuarial computations to provide the following:

222 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
223 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
224 member contributions, the remaining balance of the retiree's member contributions shall be
225 paid in accordance with Sections 49-11-609 and 49-11-610.

226 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the
227 retiree, and, upon the death of the retiree, the same reduced allowance paid to and throughout
228 the lifetime of the retiree's lawful spouse at the time of retirement.

229 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the
230 retiree, and upon the death of the retiree, an amount equal to 1/2 of the retiree's allowance paid
231 to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

232 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
233 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
234 time of initial retirement under Option One shall be paid to the retiree for the remainder of the
235 retiree's life, beginning on the last day of the month following the month in which the lawful
236 spouse dies.

237 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time
238 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time
239 of initial retirement under Option One shall be paid to the retiree for the remainder of the
240 retiree's life, beginning on the last day of the month following the month in which the lawful
241 spouse dies.

242 (4) (a) (i) The final average salary is limited in the computation of that part of an
243 allowance based on service rendered prior to July 1, 1967, during a period when the retiree
244 received employer contributions on a portion of compensation from an educational institution

245 toward the payment of the premium required on a retirement annuity contract with the
 246 Teachers' Insurance and Annuity Association of America or with any other public or private
 247 system, organization, or company to \$4,800.

248 (ii) This limitation is not applicable to retirees who elected to continue in the Public
 249 Employees' Contributory Retirement System by July 1, 1967.

250 (b) Periods of employment which are exempt from this system as permitted under
 251 Subsection 49-13-203(1)(b) may be purchased by the member for the purpose of retirement
 252 only if all benefits from the Teachers' Insurance and Annuity Association of America or any
 253 other public or private system or organization based on this period of employment are forfeited.

254 (5) (a) If a retiree under Option One dies within 90 days after the retiree's retirement
 255 date, the retirement is canceled and the death shall be considered as that of a member before
 256 retirement.

257 (b) Any payments made to the retiree shall be deducted from the amounts due to the
 258 beneficiary.

259 (6) If a retiree retires under either Option Five or Six and subsequently divorces, the
 260 retiree may elect to convert the benefit to an Option One benefit at the time of divorce, if there
 261 is no court order filed in the matter.

262 Section 5. Section **49-14-401** is amended to read:

263 **49-14-401. Eligibility for service retirement -- Date of retirement --**

264 **Qualifications.**

265 (1) A member is qualified to receive an allowance from this system when:

266 (a) the member ceases actual work for a participating employer in this system before
 267 the member's retirement date and provides evidence of the termination;

268 (b) the member has submitted to the office a notarized retirement application form that
 269 states the member's proposed retirement date; and

270 (c) one of the following conditions is met as of the member's retirement date:

271 (i) the member has accrued [~~at least 20~~] the years of service credit required under
 272 Subsection (2);

273 (ii) the member has accrued at least 10 years of service credit and has attained an age
 274 of 60 years; or

275 (iii) the member has accrued at least four years of service credit and has attained an age

276 of 65 years.

277 (2) In accordance with the provisions of Subsection (1), a member is qualified to
278 receive an allowance from this system, if the member has accrued the following years of
279 service credit as of the member's retirement date:

280 (a) 20 years of service credit if the member has accrued at least 18 years of service
281 credit on July 1, 2011;

282 (b) 21 years of service credit if the member has accrued at least 15 years of service
283 credit on July 1, 2011;

284 (c) 22 years of service credit if the member has accrued at least 12 years of service
285 credit on July 1, 2011;

286 (d) 23 years of service credit if the member has accrued at least nine years of service
287 credit on July 1, 2011;

288 (e) 24 years of service credit if the member has accrued at least six years of service
289 credit on July 1, 2011; and

290 (f) 25 years of service credit if the member has accrued less than six years of service
291 credit on July 1, 2011.

292 (3) Notwithstanding the provisions of Subsection (2), the service credit accrued by a
293 member before July 1, 2011 may be adjusted in accordance with the provisions of this title,
294 based on:

295 (a) new information presented to the office; and

296 (b) the office's review and adjustments of a member's eligible service credit including
297 full- and part-time work, withdrawals, redeposits, and transfers.

298 ~~[(2)]~~ (4) (a) The member's retirement date shall be the 1st or the 16th day of the month,
299 as selected by the member, but the retirement date must be on or after the date of termination.

300 (b) The retirement date may not be more than 90 days before or after the date the
301 application is received by the office.

302 Section 6. Section **49-15-401** is amended to read:

303 **49-15-401. Eligibility for service retirement -- Date of retirement --**

304 **Qualifications.**

305 (1) A member is qualified to receive an allowance from this system when:

306 (a) the member ceases actual work for a participating employer in this system before

307 the member's retirement date and provides evidence of the termination;

308 (b) the member has submitted to the office a notarized retirement application form that
309 states the member's proposed retirement date; and

310 (c) one of the following conditions is met as of the member's retirement date:

311 (i) the member has accrued [~~at least 20~~] the years of service credit required under
312 Subsection (2);

313 (ii) the member has accrued at least 10 years of service credit and has attained an age
314 of 60 years; or

315 (iii) the member has accrued at least four years of service and has attained an age of 65
316 years.

317 (2) In accordance with the provisions of Subsection (1), a member is qualified to
318 receive an allowance from this system, if the member has accrued the following years of
319 service credit as of the member's retirement date:

320 (a) 20 years of service credit if the member has accrued at least 18 years of service
321 credit on July 1, 2011;

322 (b) 21 years of service credit if the member has accrued at least 15 years of service
323 credit on July 1, 2011;

324 (c) 22 years of service credit if the member has accrued at least 12 years of service
325 credit on July 1, 2011;

326 (d) 23 years of service credit if the member has accrued at least nine years of service
327 credit on July 1, 2011;

328 (e) 24 years of service credit if the member has accrued at least six years of service
329 credit on July 1, 2011; and

330 (f) 25 years of service credit if the member has accrued less than six years of service
331 credit on July 1, 2011.

332 (3) Notwithstanding the provisions of Subsection (2), the service credit accrued by a
333 member before July 1, 2011 may be adjusted in accordance with the provisions of this title,
334 based on:

335 (a) new information presented to the office; and

336 (b) the office's review and adjustments of a member's eligible service credit including
337 full- and part-time work, withdrawals, redeposits, and transfers.

338 ~~[(2)]~~ (4) (a) The member's retirement date shall be the 1st or the 16th day of the month,
339 as selected by the member, but the retirement date must be on or after the date of termination.

340 (b) The retirement date may not be more than 90 days before or after the date the
341 application is received by the office.

342 Section 7. Section **49-16-401** is amended to read:

343 **49-16-401. Eligibility for service retirement -- Date of retirement --**

344 **Qualifications.**

345 (1) A member is qualified to receive an allowance from this system when:

346 (a) the member ceases actual work for a participating employer in this system before
347 the member's retirement date and provides evidence of the termination;

348 (b) the member has submitted to the office a notarized retirement application form that
349 states the member's proposed retirement date; and

350 (c) one of the following conditions is met as of the member's retirement date:

351 (i) the member has accrued ~~[at least 20]~~ the years of service credit required under
352 Subsection (2);

353 (ii) the member has accrued at least 10 years of service credit and has attained an age
354 of 60 years; or

355 (iii) the member has accrued at least four years of service credit and has attained an age
356 of 65 years.

357 (2) In accordance with the provisions of Subsection (1), a member is qualified to
358 receive an allowance from this system, if the member has accrued the following years of
359 service credit as of the member's retirement date:

360 (a) 20 years of service credit if the member has accrued at least 18 years of service
361 credit on July 1, 2011;

362 (b) 21 years of service credit if the member has accrued at least 15 years of service
363 credit on July 1, 2011;

364 (c) 22 years of service credit if the member has accrued at least 12 years of service
365 credit on July 1, 2011;

366 (d) 23 years of service credit if the member has accrued at least nine years of service
367 credit on July 1, 2011;

368 (e) 24 years of service credit if the member has accrued at least six years of service

369 credit on July 1, 2011; and

370 (f) 25 years of service credit if the member has accrued less than six years of service
371 credit on July 1, 2011.

372 (3) Notwithstanding the provisions of Subsection (2), the service credit accrued by a
373 member before July 1, 2011 may be adjusted in accordance with the provisions of this title,
374 based on:

375 (a) new information presented to the office; and

376 (b) the office's review and adjustments of a member's eligible service credit including
377 full- and part-time work, withdrawals, redeposits, and transfers.

378 [~~2~~] (4) (a) The member's retirement date shall be the 1st or the 16th day of the month,
379 as selected by the firefighter service employee, but the retirement date must be on or after the
380 date of termination.

381 (b) The retirement date may not be more than 90 days before or after the date the
382 application is received by the office.

383 Section 8. **Effective date.**

384 This bill takes effect on July 1, 2011.

Legislative Review Note
as of 1-15-10 9:12 AM

Office of Legislative Research and General Counsel

S.B. 42 - Retirement Eligibility Modifications

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill will cause retirement contribution rates to decrease 0.92 percentage points for all current employees covered by the contributory and noncontributory retirement plans. Additionally, this bill will decrease by 1.32 percentage points the contribution rates for employees covered by the Public Safety Contributory system and by 1.44 percentage points for employees covered by the Public Safety Noncontributory system. Enactment of the bill will also decrease rates for the Firefighters Retirement System by 0.76 percentage points. Such rate reductions will result in a savings of approximately \$30 million distributed among all state agencies and higher education.

	<u>FY 2010</u> <u>Approp.</u>	<u>FY 2011</u> <u>Approp.</u>	<u>FY 2012</u> <u>Approp.</u>	<u>FY 2010</u> <u>Revenue</u>	<u>FY 2011</u> <u>Revenue</u>	<u>FY 2012</u> <u>Revenue</u>
General Fund	\$0	(\$4,153,700)	(\$4,153,700)	\$0	\$0	\$0
General Fund Restricted	\$0	(\$507,500)	(\$507,500)	\$0	\$0	\$0
Education Fund	\$0	(\$21,880,100)	(\$21,880,100)	\$0	\$0	\$0
Transportation Fund	\$0	(\$587,200)	(\$587,200)	\$0	\$0	\$0
Transportation Fund Restricted	\$0	(\$93,700)	(\$93,700)	\$0	\$0	\$0
Federal Funds	\$0	(\$1,550,000)	(\$1,550,000)	\$0	\$0	\$0
Dedicated Credits	\$0	(\$870,000)	(\$870,000)	\$0	\$0	\$0
Trust Funds	\$0	(\$168,000)	(\$168,000)	\$0	\$0	\$0
Transfers	\$0	(\$302,400)	(\$302,400)	\$0	\$0	\$0
Total	\$0	(\$30,112,600)	(\$30,112,600)	\$0	\$0	\$0

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for businesses. Enactment of this bill will affect local governments, whose retirement rates would decrease by 0.80 percentage points for the contributory and con-contributory retirement systems. Additionally, local governments will experience decreased contribution rates for Firefighters Retirement System between 0.69 and 0.76 percentage points. Public Safety Contributory and Noncontributory systems would experience decreased rates between 1.35 and 1.62 percentage points. Individuals may be impacted due to the proposed change in statute.